



**Sector: Telecom and Communication**

# ICICI Lombard Corporate India Risk Index

## Introduction

- ICICI Lombard Corporate India Risk Index is a one of its kind, unified, credible, standardised corporate Risk Index that spans over the country level, the industry level and the company level
- This is the 2<sup>nd</sup> Iteration of the Corporate India Risk Index which was started in 2021. This index maps the risks to a company on the basis of awareness, preparedness, probability and criticality.
- The Corporate India Risk Index for 2021 is based on published business performance reports, assessments, insights & collaborative inputs from key executives/ officials of 220 companies in India across 20 key sectors. It will help the companies understand the level of risk exposure and current level of risk management.

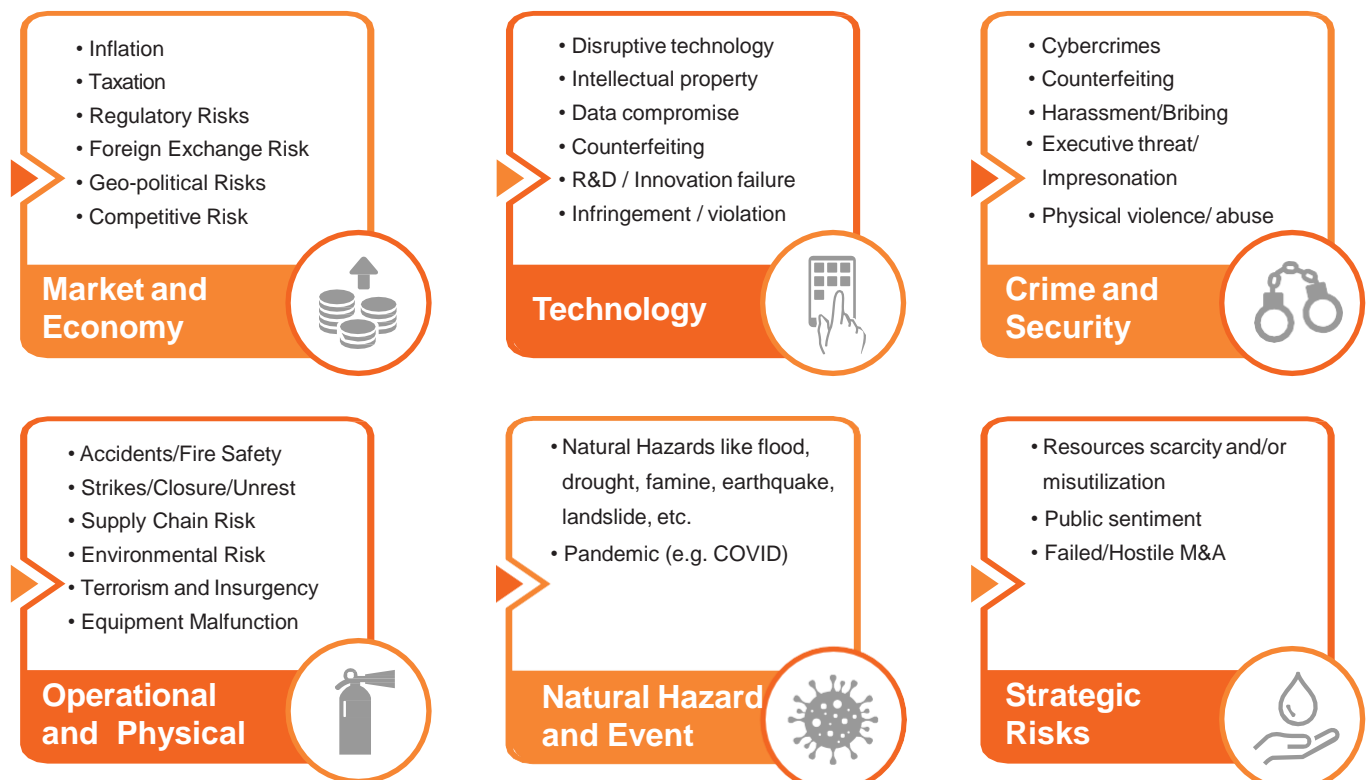
## Comprehensive Sector Coverage

- Aerospace & Defense
- Agriculture & Food Processing\*
- Automotive & Ancillary
- BFSI
- Biotech & Life sciences\*
- Chemicals & Petrochemicals
- Education Skill Development\*
- Energy
- FMCG
- Healthcare Delivery
- Infra & Realty
- IT/ITES
- Manufacturing
- Media & Gaming\*
- Metals & Mining
- New Age & Startup
- Pharmaceuticals
- Telecom & Communication\*
- Tourism & Hospitality
- Transportation & Logistics

\* New Sectors for ICICI Lombard Corporate India Risk Index 2021

## Risk Framework

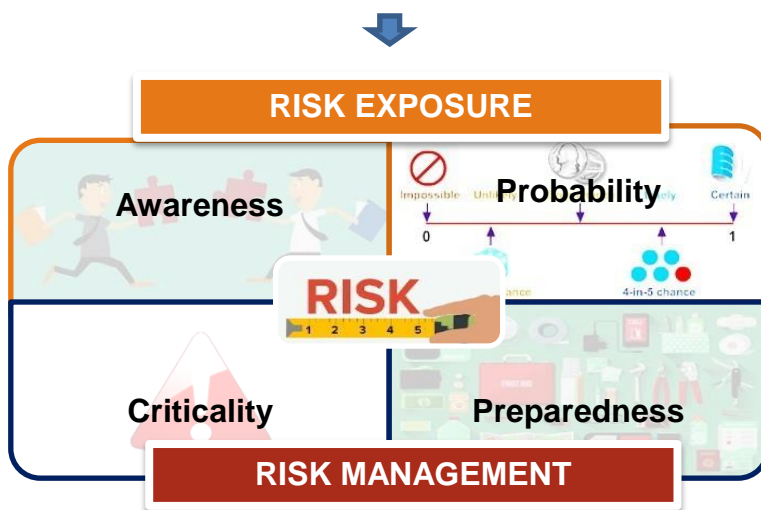
The ICICI Lombard Corporate India Risk Index Framework comprises of 32 risk elements across 6 broad dimensions:



# ICICI Lombard Corporate India Risk Index – Approach



The Risk Framework comprises of 32 risk elements across 6 broad dimensions



The Corporate Risk Index for 2021 is based on published business performance reports, assessments, insights & collaborative inputs from key executives/officials of 220 companies in India across 20 key sectors.

The Risk Exposure and Risk Management is measured across 4 parameters.

$$\text{Risk Exposure (RE)} = f(\text{Awareness, Probability})$$

$$\text{Risk Management (RM)} = f(\text{Criticality, Preparedness})$$

$$\text{COMPANY RISK INDEX} = f(\text{Risk Management, Risk Exposure})$$

$$\text{Sector Risk Index} = \text{average of company risk indices}$$

$$\text{Country Risk Index} = \text{average of sector risk indices}$$

## ICICI Lombard Corporate India Risk Exposure – Scale

Score	< 40	40 - 50	50 – 60	60 - 80	> 80
<b>Category</b>	<b>Very Low Risk Exposure</b>	<b>Low Risk Exposure</b>	<b>Moderate Risk Exposure</b>	<b>High Risk Exposure</b>	<b>Very High Risk Exposure</b>
	Has minimal exposure to overall risks and thus probability of a risk incident is very less.	Has low exposure to overall risks and its risk exposure is within acceptable tolerable limits.	The corporate is able to balance the impact of moderate exposure to overall risks up to a certain extent.	The risk exposure and its impact is very high in the industry in which the corporate operates.	Unable to foresee risk incidents, the probability of these incidents and quantified business loss may be extremely high.

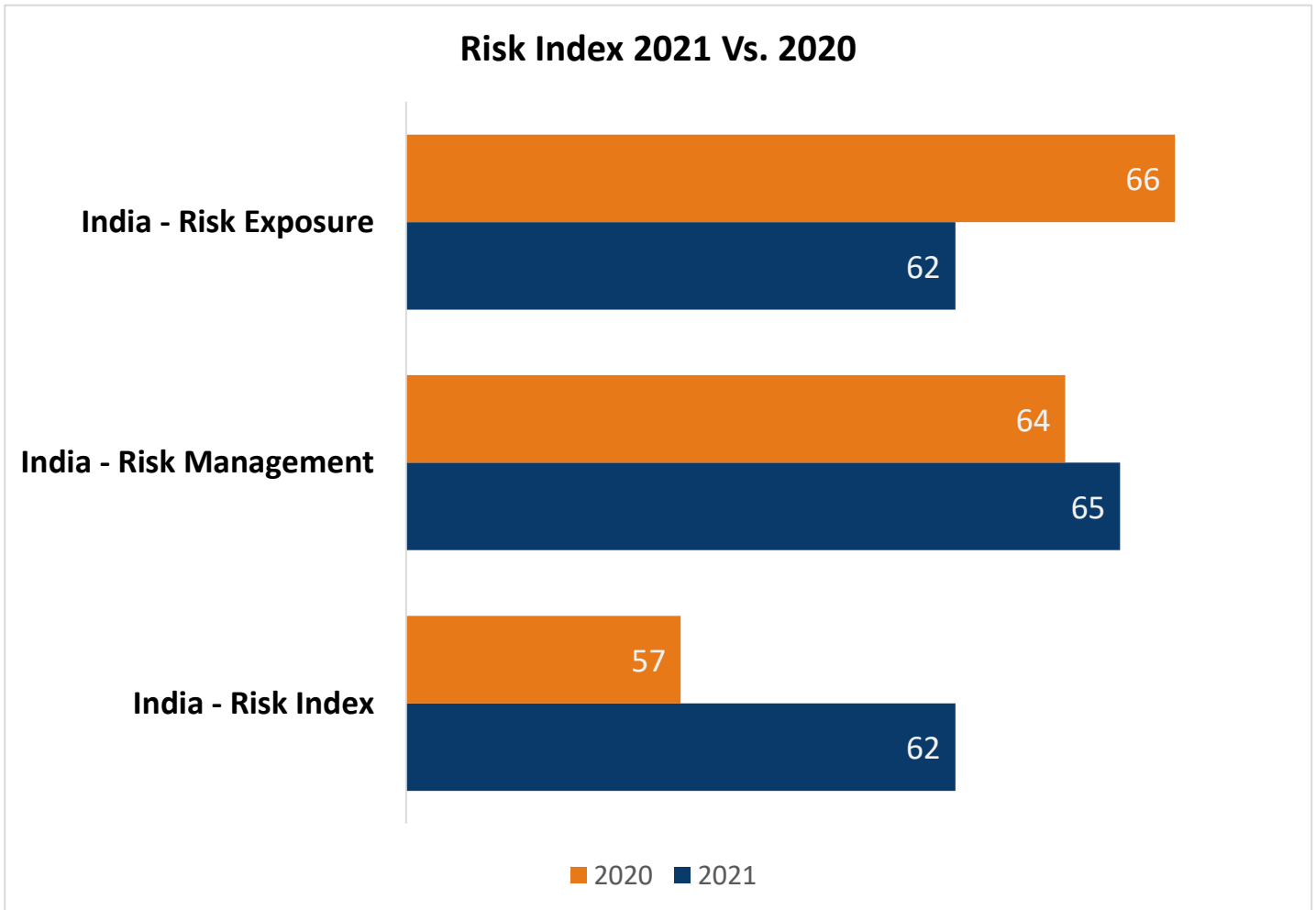
## ICICI Lombard Corporate Risk Management – Scale

Score	< 40	40 - 50	50 – 70	70 - 80	> 80
<b>Category</b>	<b>Poor Risk Management</b>	<b>Below Par Risk Management</b>	<b>Acceptable Risk Management</b>	<b>Superior Risk Management</b>	<b>Exemplary Risk Management</b>
	Unable to understand the concept of Risk management and reactive to overall risks that affect it.	Use of inefficient or legacy risk management practices which is reactive to newer or unknown risks.	The corporate is prepared to handle known risks and the criticality of its risks are not severe.	Top class risk management practices with its ability to manage dynamic risks as well as unknown risks.	Over prepared in Risk management practices, proactive to emerging risks with high investment in risk mitigation practices

## ICICI Lombard Corporate Risk Index – Scale

Score	< 40	40 - 55	55 – 65	65 - 75	> 75
<b>Category</b>	<b>Ineffective</b>	<b>Sub-optimal</b>	<b>Optimal</b>	<b>Superior</b>	<b>Over-prepared</b>
	The corporate has very high exposure or very poor risk management practices or both	Not all risks are handled effectively. Risk management practices are likely dated or inefficient.	Most current risks are being handled effectively. Emerging risks associated with strategic initiatives need more diligence.	Very effective and efficient risk management practices. Well positioned to handle current and future risks across dimensions.	High investment in risk mitigation practices. Likely over-investment in one or more risk dimensions. Difficult to justify ROI

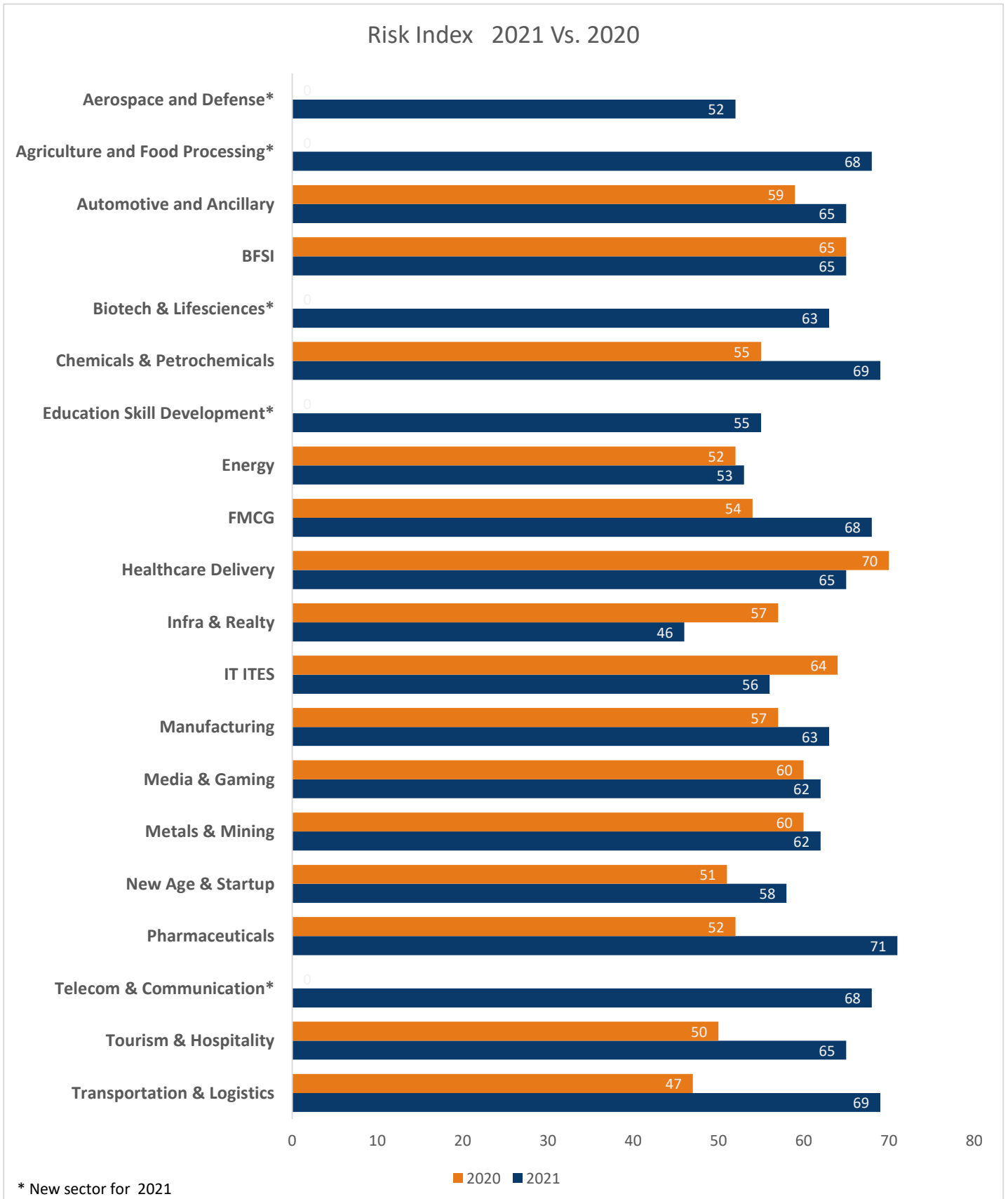
## ICICI Lombard Corporate India Risk Index



### India Risk Index(Optimal Risk Handling)

- As the pandemic and pandemic related constraints eased up, Sectors showed varied recovery as risk related to **Resource Scarcity, Delay in Execution of projects** due to pandemic and **Financial Risks** due to **tax relaxation** pacified
- The overall Risk Index for India improved from **57** to **62** in 2020-2021 , however sectors like **Infra & Realty, Metals & Mining** and **New Age & Startup** the risk Index decreased which was primarily due to the increased **Strategic Related Risks, Crime & Security Risks, Financial Risks, Inflation** and **Technology Risks**
- Sectors like **Transportation & Logistics, BFSI, Chemicals & Petrochemicals** and **Tourism & Hospitality** showcased significant improvement in the Risk Index, because the risk exposure lessened across all the risk dimensions.
- It was also observed that the Risk Exposure came down for the **Large Businesses(67 vs. 64) , Medium Businesses(65 vs. 61)** and **Small businesses (64 vs. 63)** for 2020 vs. 2021.
- With the reduced impact of the pandemic and innovative initiatives by business leaders over the supply-chain, sectors like **Manufacturing, Automotive, FMCG** and **Chemicals & Petrochemicals** improved on the **Risk Index**.

## ICICI Lombard Corporate India Risk Index – Sector Comparison



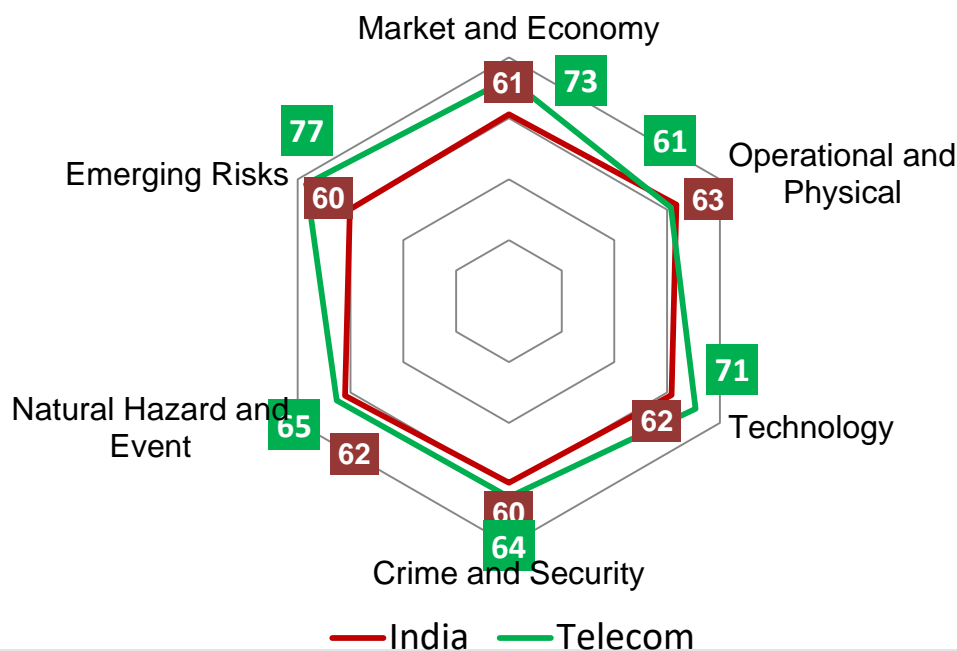
### Observations:

Automotive & Ancillary, FMCG, Manufacturing and Pharmaceuticals sector have been managing their Risk in a defined, methodical and strategic manner, with continuous monitoring and containment of Risks. Transportation & Logistics, Metals & Mining, Healthcare Delivery and Biotech & Life Sciences sectors need to improve their Risk management capabilities in order to have an overall acceptable Risk measure.

## India Risk Profile Vs. Sector Risk Profile

Risk Profile	2021 Risk Exposure	2021 Risk Management	2021 Risk Index	2020 Risk Index
India	62	65	62	57
Telecom Sector	60	64	68	new

### India Risk Index Vs. Telcom Sector Risk Index



**The Indian Telecom sector's Risk Exposure score is 60 mainly due to the exposure from Operational & physical risks and Technological risks.**

The main challenges for this industry include declining Average Revenue Per User ARPU, hefty license taxes, and a lack of telecom infrastructure in semi-rural and rural areas. Also,

- By 2026, India's 5G subscribers are expected to reach 350 million, accounting for 27% of all mobile subscriptions. The Government of India has launched the Digital India program, which would connect sectors such as healthcare, retail, and others to the internet.
- Increased Investment Under the newly announced PLI program, foreign players such as Samsung, Cisco, Ciena, Jabil, Foxconn, Sanmina, and Flex have expressed interest in setting up production in India for telecom and networking devices.

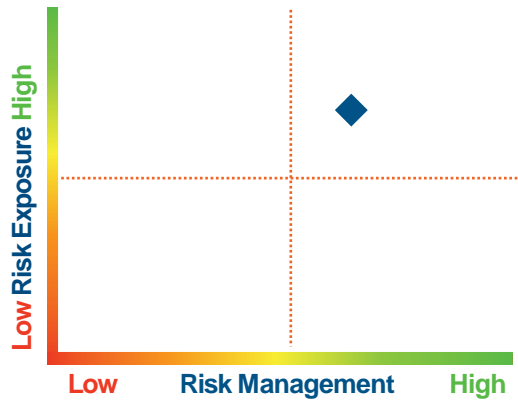
**The overall Risk Management score is 64, indicating an acceptable Risk Management in this sector.**

Companies must however improve their overall Risks pertaining to Natural Hazards, Crime and security and strategic risks.

- To reduce costs and concentrate on core activities, telecom companies have separated their tower assets into distinct entities. Which helped them in lowering operating costs and improving capital structure. This has also resulted in a new revenue stream. Most operators around the world are replicating the strategy after being inspired by the success of Indian players in the towers market..

## Risk Dimension Analysis: Market and Economy

**Risk Exposure Score: 62**  
**Risk Management Score: 68**



### Regulatory and Competitive Risk.

- Inflation poses only minor risks, has little impact, and is in accordance with industry standards.
- Regulatory risks is high, any changes made in the regulations and policies directly affect the functioning of the sector
- Foreign exchange fluctuations have a significant influence since a considerable portion of company is directly or indirectly dependent on them. When exchange rates change, the prices of imported items, especially domestic ones that rely on imported parts and raw materials, alter in value.
- Geopolitical tensions have a significant impact on the market and economy. Geopolitical uncertainties cause investors to become more risk averse. They have a negative impact on stock market returns across all advanced economies.

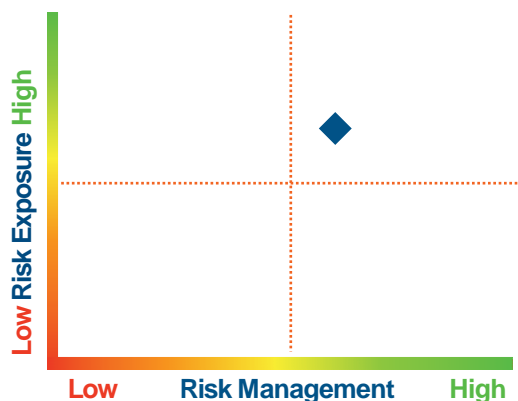


### Recommendation:

Companies can focus on mitigating the regulatory risk, most important risk to be considered is foreign exchange risk. Signal quality issues and Data penetration in remote locations and rural areas has been an important aspect which may attract regulatory intervention in the near future.

## Risk Dimension Analysis: Technology

**Risk Exposure Score: 58**  
**Risk Management Score: 63**



### Innovation and Errors in system Design.

- Along with the implementation of targeted innovation projects, Companies should also work on monitoring, testing, adapting and introducing new technologies.
- Companies relying on Artificial intelligence, Big data, Virtual and Augmented reality, Cloud computing, etc.
- The company's greatest risk is the quick pace of disruptive innovation.
- Rapid transition in the digital transformation across all the telecom and media sector making it one of the most accepted sector for technological advancement



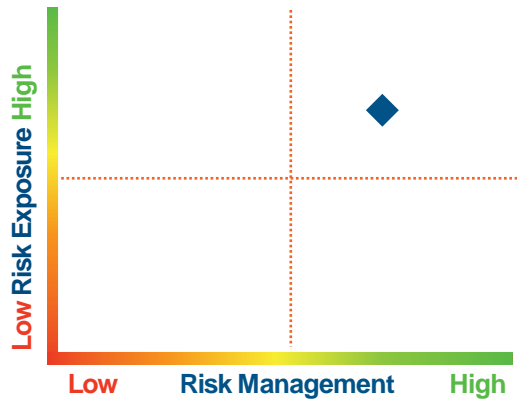
### Recommendation:

The companies could introduce various digital technologies (AI, IoT, ML, etc.) for new use cases as well as to add value to the business. The companies could adopt models of risk analytics or advanced analytics to identify trends and patterns based on risk data.



## Risk Dimension Analysis: Operational and Physical

**Risk Exposure Score: 62**  
**Risk Management Score: 65**



### Critical Infrastructure Failure and Supply chain risk.

- Many organizations in the business are concentrating their efforts on research, development, and continual innovation.
- Most have been anticipating the threat of disruptive breakthroughs for years and are actively modifying company models and adjusting long-term strategies to avert disruption.
- Succession challenges and the ability to attract and retain talent goes hand-in-hand with broader corporate culture issues that remain key areas of focus for organizations
- Retaining talent and skill enhancement is a focus area for the industry

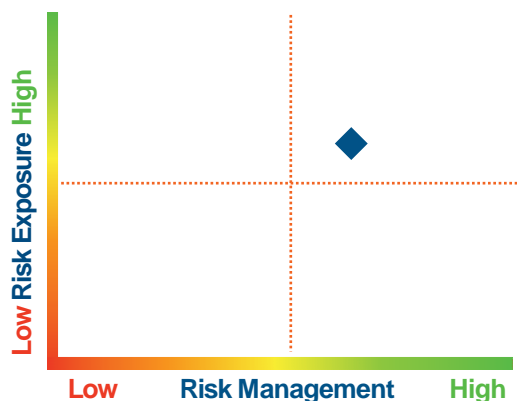


### Recommendation:

The companies can focus on the areas to mitigate the risk of disruption in supply chain along with retention of talent and upgradation of skill sets as per the rapid changing and advancing technology

## Risk Dimension Analysis: Crime and Security

**Risk Exposure Score: 57**  
**Risk Management Score: 61**



### Malwares and Privacy risks.

- Ensuring privacy and identity management and information security/system protection remains a critical risk issue for the industry.
- As the industry is dealing with huge amount of data or information there is a high risk of Cyber crime, data theft, hacking, piracy
- As the world of telecommunications evolves, so, too, should its security. Understanding its existing danger landscape can help lessen the effect of crimes such as telecom fraud and prepare us for future risks in the age of the Internet of Things.
- It has been observed that as mobile app payments have increased, so has phishing. Companies should develop security methods to combat this.

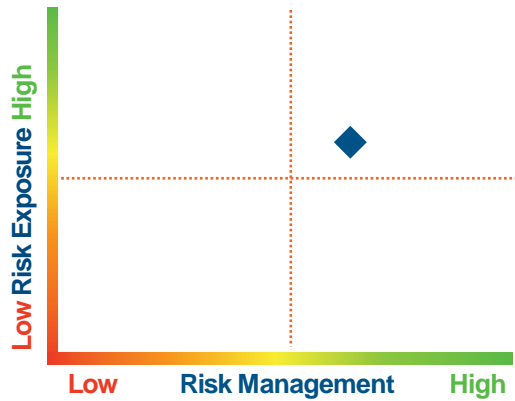


### Recommendation:

The companies could implement a consistent Cyber Risk Management program; that involves periodic testing and improvement of controls through simulation.

## Risk Dimension Analysis: Natural Hazard and Event

**Risk Exposure Score: 55**  
**Risk Management Score: 59**



Natural disasters represent only minor risks to the Telecom industry.

- The telecom, media, and communication business has suffered some significant losses in recent years, but has been mainly spared by natural disasters in India.
- Natural disasters have an impact on the whole operations of the telecom industry, causing a slew of problems for customers.
- Pandemic has a severe effect on all industries, particularly those where the entire way of communication has been disrupted.

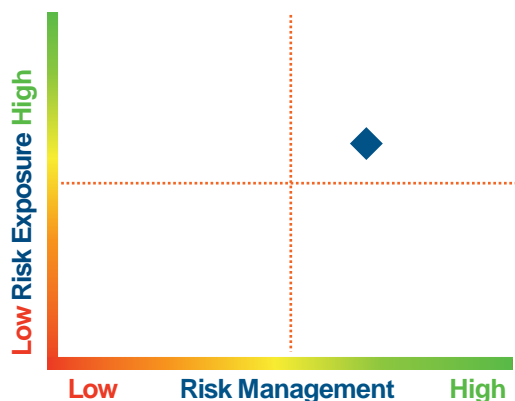


### Recommendation:

The companies need to keep a track of natural hazards and risk associated with it. Infrastructure like towers and buildings can be safeguarded against the natural hazards and risk of pandemic like situation to be mitigated.

## Risk Dimension Analysis: Strategic Risk

**Risk Exposure Score: 57**  
**Risk Management Score: 64**



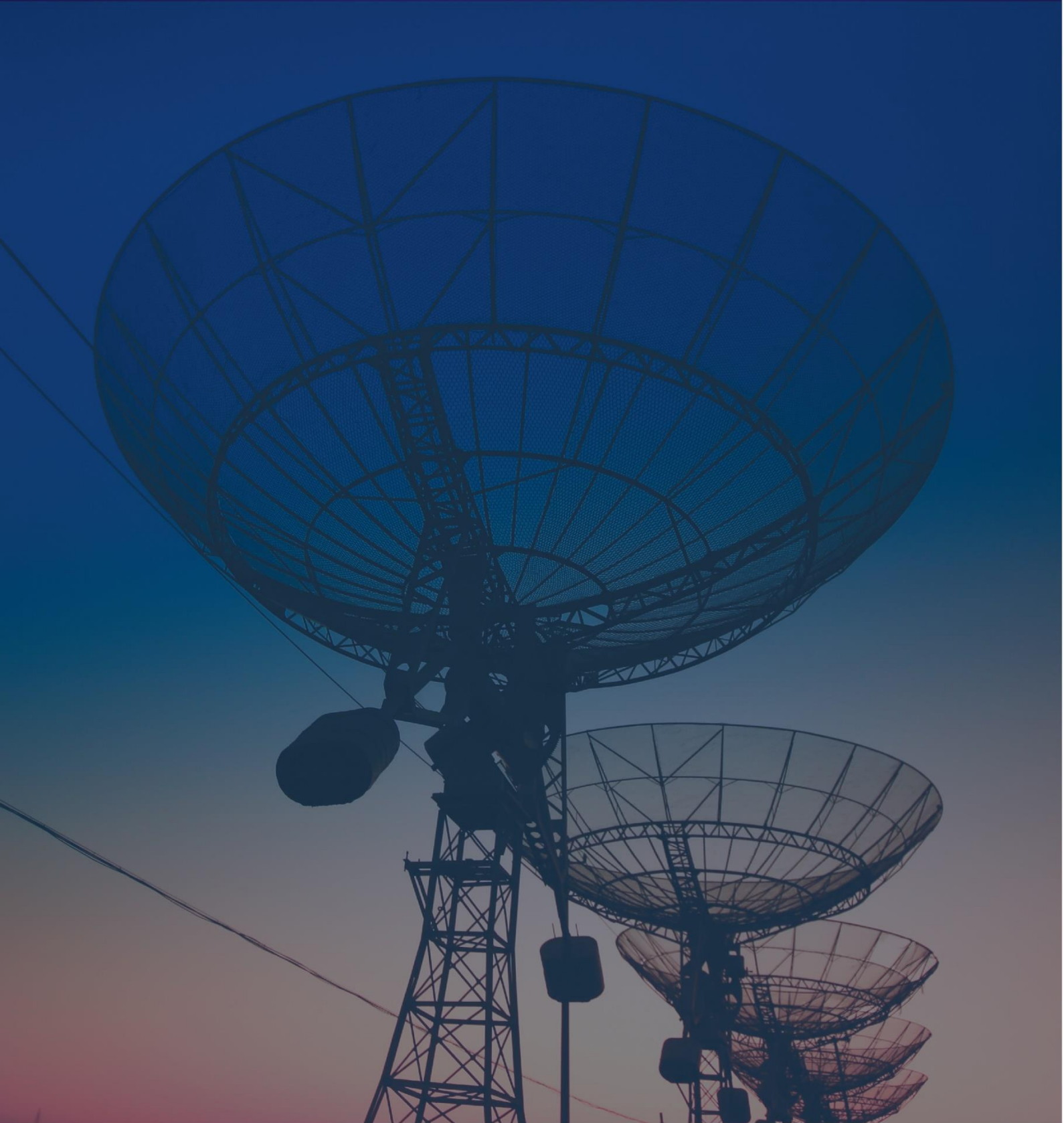
Contract terminations have increased portfolio risk and financial risk.

- Mergers and acquisitions have historically played an important role in shaping the Indian telecom and media sector landscape and are expected to continue to do so in the future.
- Growth and sustenance are heavily reliant on strategic risk minimization, data transparency, and public sentiment.
- Despite the difficulties, a clear survey trend indicates that organizations are reporting lower risks than before.
- It's possible that the sector as a whole is becoming more proactive in dealing with the risks it encounters, and that businesses are busy diversifying their business portfolios.



### Recommendation:

The companies could evaluate the deal critically before entering into any JV or M&A. The companies could on-board an external financial organization or a consulting firm to undertake the due diligence and evaluate the financial feasibility study before the closure of any deal.



"Risk parameter & the resultant index mentioned herein are as per the assessment and survey conducted by third party vendor" Frost & Sullivan across various industries on a pan-India level. The outcome of the survey and risk analysis is reproduced in a risk report which is intended to raise general awareness about the need for a better management and mitigation of corporate risks. The content of the risk report is a proprietary of ICICI Lombard cannot be copied and/or distributed without permission of ICICI Lombard. This report has been prepared for the exclusive use and benefit of the intended recipients and solely for the purpose for which it is provided. The content provided is for general informational purposes only and ICICI Lombard is not responsible for any issues or liability arising out of the use of the said information. ICICI Lombard does not make representations or warranties, either express or implied, of any kind with respect to the third party, its actions, content, information or data. ICICI Lombard does not represent or endorse the accuracy or reliability of any advice, opinion, statement, or other information provided for the purpose of rendering services hereunder. Users acknowledge that any reliance upon such opinion, advice, statement, memorandum, or information shall be at his/her sole risk. Any such person or entity should seek advice based on the particular circumstances from the experts of the respective filed arenas. ICICI trade logo displayed above belongs to ICICI Bank and is used by ICICI Lombard GIC Ltd. under license and Lombard logo belongs to ICICI Lombard GIC Ltd. ICICI Lombard General Insurance Company Limited, ICICI Lombard House, 414, Veer Savarkar Marg, Prabhadevi, Mumbai – 400025. IRDA Reg.No.115. Toll Free 1800 2666. Fax No – 022 61961323. CIN (L67200MH2000PLC129408). customersupport@icicilombard.com. www.icicilombard.com"